

**Internal Revenue Service
P.O. Box 2508, Room 7008
Cincinnati, OH 45201**

**Department of the Treasury
Exempt Organizations
Rulings and Agreements**

Release Number: **200926048**
Date: 6/26/09
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Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

(phone)

(fax)

UIL # 4945.04-04

Legend

X = Fund

Y = Scholarship

Z = City, State

x = \$amount

Dear

We have considered your request for advance approval of your grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated September 12, 2008.

Our records indicate that X was recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private foundation as defined in section 509(a).

Your letter indicates that X will operate a grant-making program called the Y.

The purpose of the Y is to provide one year scholarships to qualifying graduating high school seniors. X expects to award up to two scholarships per year in the amount of x, made payable to the participating high school the student attends. Scholarships would be used for tuition.

Eligible applicants will be a graduating high school senior from Z. The scholarship is listed in the Z High School Scholarship program annually.

To apply, an individual will submit an essay describing academic goals, efforts to improve grades and enrich the community through public service.

The selection criteria will be: (a) high school G.P.A. and evidence of improvement, (b) financial need, (c) evidence of displaying school spirit, (d) evidence of being an artistic student, (e) evidence of displaying kindness and compassion to those around him or her, and (f) not be a disqualified person as defined in section 4946(a) of the Code.

Candidate's essays are pre-screened by school officials selecting those with the most family or financial hardships who are college bound. The determination for financial need is made with the aid of FAFSA reports students file with the high school college office. The financial background and names are not revealed to the trustees of X who review the essays to select the recipients.

Scholarships will be awarded by the Scholarship Committee, composed of the trustees of X, the guidance counselor and principal of Z high school to individuals selected from students of applicable age and qualification.

X will send the scholarship funds to Z high school where the funds will be presented to the students.

X will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant and establish that it will undertake the supervision and investigation of grants to make sure they are used for their intended purpose.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi
Director, Exempt Organizations
Rulings and Agreements

Enclosures
Notice 437
Sanitized copy of letter